

CITY OF GUTHRIE CENTER, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

City of Guthrie Center, Iowa

Table of Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	10-11
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	B	12-13
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	C	14
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	D	15
Notes to Financial Statements		16-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	29-30
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	31
Schedule of Indebtedness	3	32-33
Note Maturities	4	34-35
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	36
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		37-38
Schedule of Findings		39-41

City of Guthrie Center, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Dennis Kunkle	Mayor	Jan 2004
Tim Benton	Council Member	Jan 2004
Duane Norgart	Council Member	Jan 2004
William Schwaderer, Jr.	Council Member	Jan 2004
Keith Hjelle	Council Member	Jan 2006
Eldon Wolfe	Council Member	Jan 2006
Scott Gonzales	Utility Trustee	Jan 2004
Ron Baier	Utility Trustee	Jan 2006
Kenneth Butler, Jr.	Utility Trustee	Jan 2008
(After January 2004)		
Dennis Kunkle	Mayor	Jan 2006
Tim Benton	Council Member	Jan 2008
Duane Norgart	Council Member	Jan 2008
Gary Rees	Council Member	Jan 2008
Keith Hjelle	Council Member	Jan 2006
Eldon Wolfe	Council Member	Jan 2006
Scott Gonzales	Utility Trustee	Jan 2008
Ron Baier	Utility Trustee	Jan 2006
Kenneth Butler, Jr.	Utility Trustee	Jan 2008
Laura Imerman	City Clerk/Treasurer	Jan 2005
Donna Benton	Deputy Clerk	Jan 2008
David Bruner	Attorney	Jan 2008

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guthrie Center, Iowa, as of and for the year ended June 30, 2004, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Guthrie Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statement of The Guthrie Center Firefighters Association has not been audited, and we have not been engaged to audit The Guthrie Center Firefighters Association's financial statement as part of our audit of the City's basic financial statements. The Guthrie Center Firefighters Association financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statement of the City of Guthrie Center's discretely presented component unit and do not express an opinion on such information.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guthrie Center as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2004 on our consideration of the City of Guthrie Center’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Guthrie Center’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 27, 2004

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

This discussion and analysis is intended to be an easily readable analysis of the City of Guthrie Center's financial activities for the fiscal year ended June 30, 2004 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 03-04 activities and should be read in conjunction with the City's financial statements that begin on page 12.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Report Layout

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities include water, gas and sanitary sewer.

Statement of Activities

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Receipts, Disbursements and Changes in Cash Balances the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Other Nonmajor Governmental Funds." For each fund, a Schedule of Cash Transactions is presented which shows actual data for the current year. Readers who wish to obtain information on non-major funds can find it in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Funds on page 10. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The City has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

City as a whole

Government-Wide Financial Statements

To aid in the understanding of the Statement of Activities, some additional explanation is given. First all receipts and disbursements are categorized as either governmental activities or business-type activities. These are defined as follows:

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, Road Use Fund, and Debt Service Fund. Governmental funds are further broken down into the following activities:

Public Safety - This category includes police services, fire protection, and ambulance service.

Public Works - This category includes roads, sidewalks, street cleaning, street lighting, snow removal, and solid waste services.

Health and Social Services - This category includes mosquito control.

Culture and Recreation - This category includes library services, parks, recreation, swimming pool operations, and cemetery.

Community and Economic Development - This category includes community and economic development, housing programs, and tax increment financing (TIF).

General Government - This category includes mayor, city council, city clerk/administrator, elections, legal services, city hall, the old library, and general liability insurance.

Debt Service - This category includes general debt service.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

Capital Projects - This category includes major projects within the City including construction of major capital facilities. For the year ending June 30, 2004 there were no capital projects. For the year ending June 30, 2005 the proposed new Aquatic Center will be listed under this category.

Business-Type (Proprietary) Funds - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These should be self-sufficient funds. The City's business-type funds are water, gas, and sewer. All debt service and capital projects associated specifically with these funds are included in these funds.

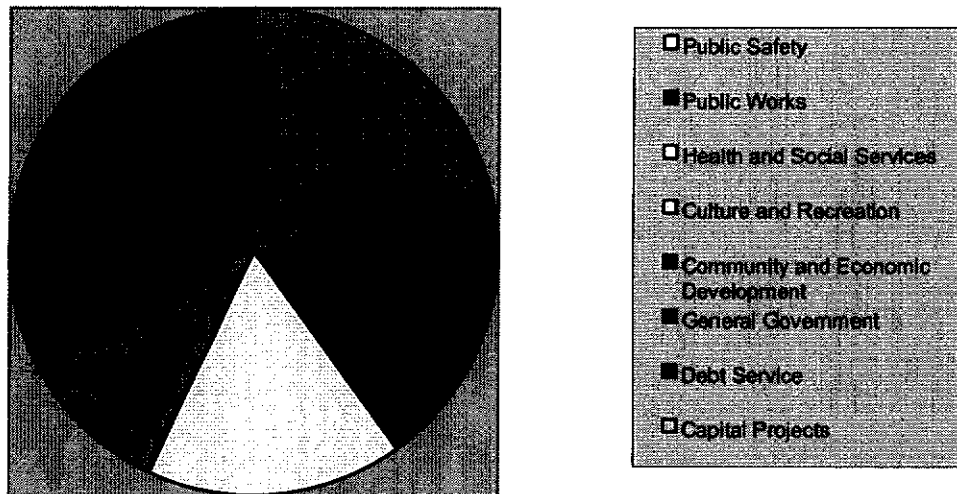
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes and bond proceeds are classified as general revenue even if restricted for a specific purpose.

Governmental Activities

For the year ended June 30, 2004, the City's governmental activities were funded 73% from general taxes levied. Only 27% of the City's governmental activities were funded through fees, grants, or contributions. Property tax revenues were relatively unchanged from the prior year. TIF revenues were up 50% due to the collection of taxes on the completed FSA building, both up slightly. Other tax revenues decreased due to the elimination of the consolidated tax payment, reduction of utility tax replacement revenues, as well as, decrease in both hotel/motel tax receipts and bank franchise tax revenues. Bond Proceeds were up slightly from last year due to the projects scheduled for the upcoming year. Miscellaneous revenues were up mostly due to the sale of an old fire truck and the sale of old city hall. Total governmental revenues this year as compared to last fiscal year are shown in the graph below.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

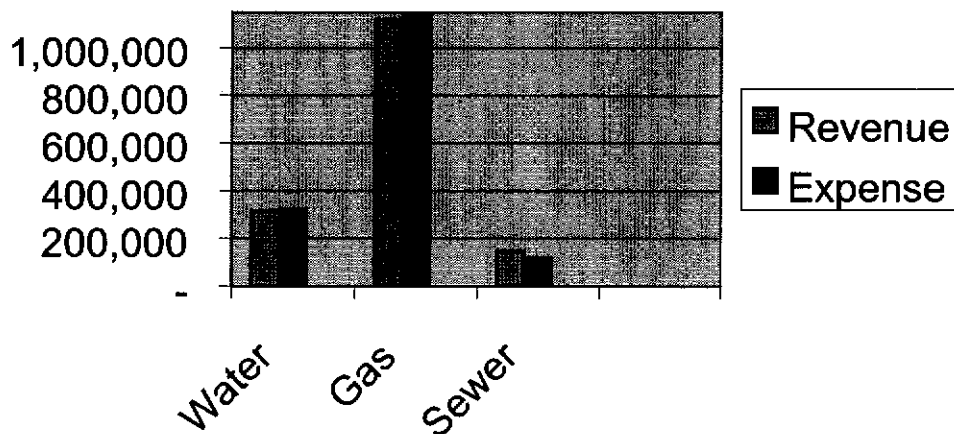
Uses of Funds in Governmental Activities



With a few exceptions, governmental program expenses also remain similar to the prior year. Public safety expenditures decreased due to the change from a three person force to two when one officer left Guthrie Center for other employment. Public works increased with the purchase of a used street sweeper. Community and economic development expenditures increased due to the TIF rebate agreement with River Valley Investments beginning. The general government and debt service expenditures remained relatively unchanged. Total governmental expenses this year as compared to last fiscal year are shown in the graph below.

Business-type Activities

For the year ended June 30, 2004, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

The water and gas revenues and expenses were relatively unchanged for the year ending June 30, 2004. The final debt service payment on the maintenance shed in the amount of \$21, 750 will occur in the 04-05 fiscal year. The sewer fund revenues increased due to rate changes put into place late in the 02-03 fiscal year. Sewer fund revenues exceeded expenditures for the first time in several years.

Budgetary Highlights

City Council approved one budget amendment during the year. The amendment was to adjust revenues for tax cuts mandated by the state including decreases in utility replacement tax revenue and elimination of the state consolidated payment, to an adjustment for the local option sales tax that went into effect in January 2004. It also included an increase in expected revenues based on gas sales. Expenses were adjusted to increase gas expenditures based on purchases and to increase expenditures for the purchase of a street sweeper. For the year ended June 30, 2004, total actual revenues including other financing sources were \$270,456 over the final budget while total actual expenditures were \$1,358 under the final budget. The large difference between budgeted and actual revenues is mostly due to the additional gas revenues based on the colder than normal temperatures.

Fund Balances

As of June 30, 2004 the City had fund balances on hand of \$441,172 in governmental fund types and \$2,919,698 in business-type funds. These increased by \$ 07,485 and \$95,416 respectively during fiscal year 2003-2004. The main reasons for the increase of funds is the change in sewer rates resulting in the fund becoming self sufficient, the decrease to a two person police force, the passage of a local option sales tax, and a tight rein on spending while the state was cutting expected revenues.

Debt Outstanding

As of year-end, the City had \$1,214,496 in debt outstanding compared to \$1,881,231 in 2003.

Outstanding Debt at Year End

	Totals	
	<u>2004</u>	<u>2003</u>
Governmental		
General obligation	\$ 740,000	\$ 885,000
Tax increment	65,996	79,231
Maintenance Shed Note	43,500	87,000
Subtotal	<u>849,496</u>	<u>1,051,231</u>
Business-type		
Water revenue	<u>365,000</u>	<u>415,000</u>
Subtotal	<u>365,000</u>	<u>415,000</u>
Total	<u>\$ 1,214,496</u>	<u>\$ 1,466,231</u>

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

As of June 30, 2004 the City is at 50% of its bonding capacity. However additional general obligation bonds will be included in the 04-05 fiscal year to help finance the proposed aquatic center. This additional debt of \$365,000 will put the City at 65% of bonding capacity.

Of the existing general obligation debt, the 1996 issuance will be paid in full in June 2006, the 1998 issuance will be paid in full in June 2008, and the 2000 issuance will be paid in full in June 2010. The Maintenance Shed note was paid in full as of October 2004.

TIF Rebates

The City has two TIF rebate agreements. The agreements are each for ten years. The agreements rebate tax payments made to by the developer except for the portion required for the school levy and the City debt levy.

Economic Factors and Next year's budget and rates

The City's elected and appointed officials and citizens considered many factors when setting the 04-05 fiscal year budget and tax rates. The economy in Guthrie Center is steady but without any real growth. Property tax values are not on the rise. For the year ending June 30, 2005 the general fund has been budgeted fairly consistently with this year. However, the budget does include the purchase of a new police pickup, a mower each for the parks and cemetery, along with a new furnace for the old library building. The budget also reflects that bank franchise tax revenue has been eliminated by the State of Iowa. Capital projects being budgeted in governmental activities for next year include the proposed new Aquatic Center. Legislative changes passed last year and this year after the adoption of the fiscal year 2003-2004 will negatively impact the city's budget. Property tax credit reimbursements and machinery and equipment reimbursements continue to be funded at less than 100%. The state consolidated payment was eliminated completely last year. Bank franchise fee revenue has been eliminated completely beginning in fiscal year 2004-2005.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk/Administrator at 102 N. 1st Street, Guthrie Center, IA 50115 or telephone 641-332-2190.

Laura M. Imerman
City Clerk/Administrator

Basic Financial Statements

City of Guthrie Center, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

		Program Receipts		
		Charges for	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Service</u>		
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 154,866	8,773	11,394	-
Public works	146,453	100	138,924	-
Culture and recreation	127,746	31,948	24,688	-
Community and economic development	25,929	-	-	-
General government	89,133	-	-	-
Debt service	232,415	-	-	-
Total governmental activities	<u>776,542</u>	<u>40,821</u>	<u>175,006</u>	<u>-</u>
Business type activities:				
Water	324,702	316,246	-	-
Gas	1,140,283	1,120,119	-	-
Nonmajor business type activities	224,674	273,133	-	-
Total business type activities	<u>1,689,659</u>	<u>1,709,498</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,466,201</u>	<u>1,750,319</u>	<u>175,006</u>	<u>-</u>
Component Unit:				
Firefighters Association	<u>\$ 91,925</u>	<u>-</u>	<u>-</u>	<u>63,749</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Sale of assets				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted:				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Guthrie Center Firefighters Association
(134,699)	-	(134,699)	-
(7,429)	-	(7,429)	-
(71,110)	-	(71,110)	-
(25,929)	-	(25,929)	-
(89,133)	-	(89,133)	-
(232,415)	-	(232,415)	-
(560,715)	-	(560,715)	-
-	(8,456)	(8,456)	-
-	(20,164)	(20,164)	-
-	48,459	48,459	-
-	19,839	19,839	-
(560,715)	19,839	(540,876)	-
-	-	-	(28,176)
335,760	-	335,760	-
42,279	-	42,279	-
182,832	-	182,832	-
20,716	-	20,716	-
28,980	65,460	94,440	-
56,708	10,117	66,825	40,628
925	-	925	-
668,200	75,577	743,777	40,628
107,485	95,416	202,901	12,452
333,687	2,824,282	3,157,969	(4,535)
\$ 441,172	2,919,698	3,360,870	7,917
\$ 87,677	-	87,677	-
25,175	75,000	100,175	-
90,022	-	90,022	-
238,298	2,844,698	3,082,996	7,917
\$ 441,172	2,919,698	3,360,870	7,917

City of Guthrie Center, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 243,680	-
Tax increment financing collections	-	-
Other city tax	26,321	-
Licenses and permits	3,548	-
Use of money and property	26,928	-
Intergovernmental	33,060	138,924
Charges for service	40,821	-
Miscellaneous	5,899	-
Total receipts	<u>380,257</u>	<u>138,924</u>
Disbursements:		
Operating:		
Public safety	117,599	-
Public works	7,367	123,025
Culture and recreation	117,276	-
Community and economic development	3,361	-
General government	80,992	-
Debt service	-	21,750
Total disbursements	<u>326,595</u>	<u>144,775</u>
Excess (deficiency) of receipts over (under) disbursements	<u>53,662</u>	<u>(5,851)</u>
Other financing sources:		
Sale of capital assets	925	-
Total other financing sources	<u>925</u>	<u>-</u>
Net change in cash balances	54,587	(5,851)
Cash balances beginning of year	<u>70,859</u>	<u>93,528</u>
Cash balance end of year	<u>\$ 125,446</u>	<u>87,677</u>
Cash Basis Fund Balances		
Reserved:		
Debt service	\$ -	-
Unreserved:		
General fund	125,446	-
Special revenue funds	-	87,677
Permanent fund	-	-
Total cash basis fund balances	<u>\$ 125,446</u>	<u>87,677</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
182,832	92,080	518,592
-	42,279	42,279
9,178	28,083	63,582
-	-	3,548
805	1,247	28,980
-	3,154	175,138
-	-	40,821
-	4,263	10,162
<u>192,815</u>	<u>171,106</u>	<u>883,102</u>
-	37,267	154,866
-	16,061	146,453
-	10,470	127,746
-	22,568	25,929
-	8,141	89,133
<u>191,355</u>	<u>19,310</u>	<u>232,415</u>
<u>191,355</u>	<u>113,817</u>	<u>776,542</u>
<u>1,460</u>	<u>57,289</u>	<u>106,560</u>
-	-	925
-	-	925
1,460	57,289	107,485
<u>23,715</u>	<u>145,585</u>	<u>333,687</u>
<u>25,175</u>	<u>202,874</u>	<u>441,172</u>
25,175	-	25,175
-	-	125,446
-	154,774	242,451
-	48,100	48,100
<u>25,175</u>	<u>202,874</u>	<u>441,172</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			
	<u>Water</u>	<u>Gas</u>	<u>Nonmajor Proprietary</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ 300	5,200	-	5,500
Charges for service	315,946	1,114,919	273,133	1,703,998
Total operating receipts	<u>316,246</u>	<u>1,120,119</u>	<u>273,133</u>	<u>1,709,498</u>
Operating disbursements:				
Business type activities	<u>241,282</u>	<u>1,129,408</u>	<u>224,674</u>	<u>1,595,364</u>
Total operating disbursements	<u>241,282</u>	<u>1,129,408</u>	<u>224,674</u>	<u>1,595,364</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>74,964</u>	<u>(9,289)</u>	<u>48,459</u>	<u>114,134</u>
Non-operating receipts (disbursements):				
Interest on investments	6,503	53,807	5,150	65,460
Miscellaneous	6,946	1,585	1,586	10,117
Debt service	<u>(83,420)</u>	<u>(10,875)</u>	<u>-</u>	<u>(94,295)</u>
Total non-operating receipts (disbursements)	<u>(69,971)</u>	<u>44,517</u>	<u>6,736</u>	<u>(18,718)</u>
Excess of receipts over disbursements	4,993	35,228	55,195	95,416
Cash balances beginning of year	<u>323,826</u>	<u>2,303,573</u>	<u>196,883</u>	<u>2,824,282</u>
Cash balances end of year	<u>\$ 328,819</u>	<u>2,338,801</u>	<u>252,078</u>	<u>2,919,698</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ 75,000	-	-	75,000
Meter deposits	51,926	37,227	-	89,153
Improvements	12,304	1,589,435	61,726	1,663,465
Unreserved	<u>189,589</u>	<u>712,139</u>	<u>190,352</u>	<u>1,092,080</u>
Total cash basis fund balances	<u>\$ 328,819</u>	<u>2,338,801</u>	<u>252,078</u>	<u>2,919,698</u>

See notes to financial statements.

City of Guthrie Center, Iowa

Exhibit D

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

As of and for the year ended June 30, 2004

Trust Fund
Cafeteria Plan

Additions:

Contributions:

Plan members

\$ 309

Total contributions

309

Total additions

309

Deductions:

Total deductions

-

Change in net assets

309

Net assets - beginning of the year

40

Net assets - end of the year

\$ 349

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Guthrie Center is a political subdivision of the State of Iowa located in Guthrie County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, gas and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Guthrie Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Guthrie Center and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City

Discretely Presented Component Unit

The Guthrie Center Firefighters Association is a separate nonprofit organization whose purpose is to help raise funds for the City of Guthrie Center's fire department. The records are maintained on the basis of cash receipts and disbursements, with December 31 as its fiscal year end. The Guthrie Center Firefighters meets the definition of a component which should be discretely presented. The Association's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Guthrie County Assessor's Conference Board and the Regional Airport Authority.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The City of Guthrie Center maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. government securities	\$ 350,444 =====	346,468 =====

The City also invested excess cash in certificates of deposit and money market savings accounts.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 155,000	38,670	55,000	19,645	210,000	58,315
2006	155,000	30,978	55,000	16,758	210,000	47,736
2007	90,000	23,172	60,000	13,843	150,000	37,015
2008	95,000	18,488	60,000	10,632	155,000	29,120
2009	80,000	13,478	65,000	7,392	145,000	20,870
2010	80,000	9,117	70,000	3,850	150,000	12,967
2011	<u>85,000</u>	<u>4,717</u>	<u>---</u>	<u>---</u>	<u>85,000</u>	<u>4,717</u>
Total	\$ 740,000 =====	138,620 =====	365,000 =====	72,120 =====	1,105,000 =====	210,740 =====

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) A reserve account balance of \$55,000 shall be set aside to be used as a pledge for payment of principal and interest on the water revenue note should the sinking fund be insufficient to pay the interest and principal when due.

(4) Urban Renewal Notes

The urban renewal tax increment revenue bond anticipation project note is to be repaid upon collection of TIF revenues. The interest rate is 5% and payments are variable based on collection of TIF revenues.

(5) Iowa Department of Transportation Note

There is a note with the Iowa Department of Transportation for the purchase of a maintenance shed. This is a zero interest note requiring annual payments of \$43,500 each. The total amount paid during the current period was \$43,500. Future payments are as follows:

Year Ending	
<u>June 30,</u>	
2005	\$ <u>43,500</u>
	43,500
	=====

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

(6) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07% respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29% respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$27,366, \$27,434, and \$27,052, respectively, equal to the required contributions for each year.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees separated from City employment are paid for unused vacation earned, however, sick leave days are lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2004, primarily relating to the General Fund is \$31,000. This liability has been computed based on rates of pay in effect at June 30, 2004.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

(8) Risk Management

The City of Guthrie Center is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$28,068.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverages associated with workers compensation liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2004

(9) Related Party Transactions

The City had business transactions totaling \$8,892 between the City and City officials, during the year ended June 30, 2004.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$700,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$395,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Subsequent Events

The City is planning on constructing an aquatic center. The appropriate cost for the project is \$1,100,000. The City is going to issue GO Bonds for \$365,000 and receive donations from the utilities for \$200,000. The rest of the funding will come from private donations.

(12) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements -and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Required Supplementary Information

City of Guthrie Center, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 518,592	-
Tax increment financing collections	42,279	-
Other city tax	63,582	-
Licenses and permits	3,548	-
Use of money and property	28,980	70,960
Intergovernmental	175,138	-
Charges for service	40,821	1,703,998
Miscellaneous	10,162	10,117
Total receipts	<u>883,102</u>	<u>1,785,075</u>
Disbursements:		
Public safety	154,866	-
Public works	146,453	-
Health and social services	-	-
Culture and recreation	127,746	-
Community and economic development	25,929	-
General government	89,133	-
Debt service	232,415	-
Business type activities	-	1,689,659
Total disbursements	<u>776,542</u>	<u>1,689,659</u>
Excess (deficiency) of receipts over (under) disbursements	106,560	95,416
Other financing sources, net	<u>925</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	107,485	95,416
Balances beginning of year	<u>333,687</u>	<u>2,824,282</u>
Balances end of year	<u>\$ 441,172</u>	<u>2,919,698</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		Final to Net <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
518,592	522,681	492,681	25,911
42,279	38,000	38,000	4,279
63,582	34,075	12,075	51,507
3,548	5,840	6,493	(2,945)
99,940	12,500	51,940	48,000
175,138	159,474	186,918	(11,780)
1,744,819	1,533,682	1,607,474	137,345
20,279	2,300	2,140	18,139
<u>2,668,177</u>	<u>2,308,552</u>	<u>2,397,721</u>	<u>270,456</u>
154,866	183,025	170,725	15,859
146,453	248,373	287,652	141,199
-	500	-	-
127,746	146,355	146,355	18,609
25,929	41,425	41,425	15,496
89,133	107,820	104,080	14,947
232,415	191,356	191,356	(41,059)
<u>1,689,659</u>	<u>1,360,680</u>	<u>1,525,966</u>	<u>(163,693)</u>
<u>2,466,201</u>	<u>2,279,534</u>	<u>2,467,559</u>	<u>1,358</u>
201,976	29,018	(69,838)	271,814
<u>925</u>	<u>-</u>	<u>-</u>	<u>925</u>
202,901	29,018	(69,838)	272,739
<u>3,157,969</u>	<u>2,813,603</u>	<u>2,813,603</u>	<u>344,366</u>
<u><u>3,360,870</u></u>	<u><u>2,842,621</u></u>	<u><u>2,743,765</u></u>	<u><u>617,105</u></u>

City of Guthrie Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis

following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted revenues by \$89,169 and increased budgeted disbursements by \$188,025. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

Other Supplementary Information

City of Guthrie Center, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue		
	Employee		Local
	<u>Benefits</u>	<u>Emergency</u>	<u>Option</u>
			<u>Sales Tax</u>
Receipts:			
Property tax	\$ 92,080	-	-
Tax increment financing collections	-	-	-
Other city tax	-	7,367	20,716
Use of money and property	263	984	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>92,343</u>	<u>8,351</u>	<u>20,716</u>
Disbursements			
Operating:			
Public safety	37,267	-	-
Public works	16,061	-	-
Culture and recreation	6,619	-	-
Community and economic development	-	-	-
General government	8,141	-	-
Debt service	-	-	-
Total disbursements	<u>68,088</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	24,255	8,351	20,716
Cash balances beginning of year	<u>38,407</u>	<u>56,088</u>	<u>-</u>
Cash balances end of year	<u>\$ 62,662</u>	<u>64,439</u>	<u>20,716</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 62,662	64,439	20,716
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 62,662</u>	<u>64,439</u>	<u>20,716</u>

See accompanying independent auditor's report.

Schedule 1

<u>Library</u> <u>Expendable</u>		<u>Permanent</u> <u>Cemetery</u> <u>Perpetual</u>	
<u>Trust</u>	<u>TIF</u>	<u>Care</u>	<u>Total</u>
-	-	-	92,080
-	42,279	-	42,279
-	-	-	28,083
-	-	-	1,247
3,154	-	-	3,154
4,153	-	110	4,263
<u>7,307</u>	<u>42,279</u>	<u>110</u>	<u>171,106</u>
-	-	-	37,267
-	-	-	16,061
3,851	-	-	10,470
-	22,568	-	22,568
-	-	-	8,141
-	19,310	-	19,310
<u>3,851</u>	<u>41,878</u>	<u>-</u>	<u>113,817</u>
3,456	401	110	57,289
<u>1,517</u>	<u>1,583</u>	<u>47,990</u>	<u>145,585</u>
<u>4,973</u>	<u>1,984</u>	<u>48,100</u>	<u>202,874</u>
4,973	1,984	-	154,774
-	-	48,100	48,100
<u>4,973</u>	<u>1,984</u>	<u>48,100</u>	<u>202,874</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 123,753	149,380	273,133
Total operating receipts	<u>123,753</u>	<u>149,380</u>	<u>273,133</u>
Operating disbursements:			
Business type activities	<u>105,366</u>	<u>119,308</u>	<u>224,674</u>
Total operating disbursements	<u>105,366</u>	<u>119,308</u>	<u>224,674</u>
Excess of operating receipts over operating disbursements	<u>18,387</u>	<u>30,072</u>	<u>48,459</u>
Non-operating receipts:			
Interest on investments	604	4,546	5,150
Miscellaneous	<u>50</u>	<u>1,536</u>	<u>1,586</u>
Total non-operating receipts	<u>654</u>	<u>6,082</u>	<u>6,736</u>
Excess of receipts over disbursements	19,041	36,154	55,195
Cash balances beginning of year	<u>58,290</u>	<u>138,593</u>	<u>196,883</u>
Cash balances end of year	<u>\$ 77,331</u>	<u>174,747</u>	<u>252,078</u>
Cash Basis Fund Balances			
Reserved:			
Improvements	\$ -	61,726	61,726
Unreserved	<u>77,331</u>	<u>113,021</u>	<u>190,352</u>
Total cash basis fund balances	<u>\$ 77,331</u>	<u>174,747</u>	<u>252,078</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Corporate purpose	March 1, 1996	4.05 - 4.90%	\$ 585,000
Storm sewer improvements notes	February 1, 1998	4.10 - 4.80%	\$ 180,000
Corporate purpose	May 1, 2000	5.00 - 5.55%	\$ 690,000
Total			
Revenue notes:			
Water	May 1, 2000	5.00 - 5.50%	\$ 550,000
Urban renewal tax increment revenue bond anticipation project note	April 24, 1995	6.00%	\$ 100,835
Iowa Department of Transportation:			
Maintenance shed note	August 2001	0.00%	\$ 174,000

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
205,000	-	65,000	140,000	9,845	-
100,000	-	20,000	80,000	4,660	-
<u>580,000</u>	<u>-</u>	<u>60,000</u>	<u>520,000</u>	<u>31,250</u>	<u>-</u>
<u>885,000</u>	<u>-</u>	<u>145,000</u>	<u>740,000</u>	<u>45,755</u>	<u>-</u>
<u>415,000</u>	<u>-</u>	<u>50,000</u>	<u>365,000</u>	<u>22,245</u>	<u>-</u>
<u>79,231</u>	<u>-</u>	<u>13,235</u>	<u>65,996</u>	<u>6,074</u>	<u>-</u>
<u>87,000</u>	<u>-</u>	<u>43,500</u>	<u>43,500</u>	<u>-</u>	<u>-</u>

City of Guthrie Center, Iowa

Note Maturities

June 30, 2004

		General Obligation Notes			
		Corporate Purpose		Storm Sewer Improvements	
		Issued Mar 1, 1996		Issued Feb 1, 1998	
Year Ending June 30,	Interest		Amount	Interest	
	Rates			Rates	Amount
2005	4.80 %	\$	70,000	4.60 %	\$ 20,000
2006	4.90		70,000	4.65	20,000
2007			-	4.70	20,000
2008			-	4.80	20,000
2009			-		-
2010			-		-
2011			-		-
Total			<u>\$ 140,000</u>		<u>\$ 80,000</u>

		Revenue Notes		Department of Transportation Note	
		Water Revenue		Maintenance Shed Note	
		Issued May 1, 2000		Issued Aug 27, 2001	
Year Ending June 30,	Interest		Amount	Interest	
	Rates			Rates	Amount
2005	5.25 %	\$	55,000	0.00 %	\$ 43,500
2006	5.30		55,000		-
2007	5.35		60,000		-
2008	5.40		60,000		-
2009	5.45		65,000		-
2010	5.50		70,000		-
Total			<u>\$ 365,000</u>		<u>\$ 43,500</u>

See accompanying independent auditor's report.

Corporate Purpose				
Issued May 1, 2000				
Interest				
<u>Rates</u>		<u>Amount</u>		<u>Total</u>
5.25 %	\$	65,000	\$	155,000
5.30		65,000		155,000
5.35		70,000		90,000
5.40		75,000		95,000
5.45		80,000		80,000
5.50		80,000		80,000
5.55		85,000		85,000
		<u>\$ 520,000</u>		<u>\$ 740,000</u>

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 518,592	516,922
Tax increment financing collections	42,279	28,124
Other city tax	63,582	31,767
Licenses and permits	3,548	933
Use of money and property	28,980	22,975
Intergovernmental	175,138	195,483
Charges for service	40,821	40,279
Miscellaneous	<u>10,162</u>	<u>38,283</u>
Total	<u>\$ 883,102</u>	<u>874,766</u>
Disbursements:		
Operating		
Public safety	\$ 154,866	201,378
Public works	146,453	122,622
Health and social services	-	1,000
Culture and recreation	127,746	174,846
Community and economic development	25,929	28,803
General government	89,133	103,727
Debt service	<u>232,415</u>	<u>187,510</u>
Total	<u>\$ 776,542</u>	<u>819,886</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control Over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Guthrie Center, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 27, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Guthrie Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Guthrie Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Guthrie Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Guthrie Center and other parties to whom the City of Guthrie Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Guthrie Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 27, 2004

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank reconciliations and financial statements are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We feel we have a division of duties in City Hall; we have a City Clerk/Treasurer and a Deputy Clerk. We provide detailed reports to the Mayor, Council, and various boards. We try to segregate duties as much as possible with our staff. Therefore, we feel that we are doing as much as we can for internal accounting control based on the size of our City.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2004

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Scott Gonzales, Utility Trustee; Owner of Guthrie Center Times	Official notices, publications	\$ 4,853
Kenneth Butler, Jr., Utility Trustee; Owner of K.H. Butler Construction	Snow removal, dirt sand and rock	4,039

In accordance with Chapter 362.5(6) of the Code of Iowa, the transaction with the owner of the newspaper does not appear to represent a conflict of interest since the Guthrie Center Times is the only local newspaper and has been designated as the City's official newspaper.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2004

In accordance with Chapter 362.5(4) of the Code of Iowa, the transactions with Kenneth Butler, Jr., Utility Trustee do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

- II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investments provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-04 Revenue Notes - No violations of the revenue notes resolution were noted.